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The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir / Madam

Chairman's address to shareholders at AGM

Please find attached a copy of the Chairman's address to shareholders to be given at today's Annual General Meeting.

Yours sincerely

MOUNT GIBSON IRON LIMITED

David Berg
Company Secretary

Chairman's address to shareholders

I stand here today with greater confidence than at the same time last year. At that stage, we were still burdened with a degree of uncertainty as a result of the previous financial year – debatably one of the most challenging years ever experienced by Mount Gibson and the resources industry generally.

However, we had successfully faced and weathered the financial storm that we encountered as a result of the global economic situation and – despite continuing uncertainty – had placed ourselves in a strong position to be able to capitalise on changing market conditions and emerging market opportunities.

This positioning we worked so hard to achieve has borne fruit and we are pleased to be able to announce excellent results for the year in review:

- a record full year net profit after tax of \$132.4 million – a 211% increase over the previous year, and in line with the 2007/08 year before the onset of the global financial crisis;
- record sales of 6.5 million tonnes;
- record ore production of nearly 7.3 million tonnes; and
- recommencement of, and significant progress in, the development and construction of our Extension Hill project.

In addition, we completed the year with a strong balance sheet – showing cash on hand of \$347 million and a low debt level of \$85 million.

Financial Results

I will now turn to the financial results for the 12 months to 30 June 2010.

The strength of our financial results is testament to the way in which we have worked to sustain operations throughout the vagaries of the market cycle. We have not allowed external factors to impede our focus on the

disciplined conduct of our core business, and I know that this approach is the key influence behind our excellent results.

The operating profit before tax of \$188.3 million translated to a net profit after tax profit of \$132.4 million. Sales revenue was \$536.3 million, while our net assets increased by 19% to \$926.9 million.

Our debt funding of \$85 million represents low levels of gearing in the context of our strong balance sheet and we continue to focus on risk management and risk reduction, in order to provide ongoing flexibility to fund internal and external opportunities.

As I said, our results have been achieved despite significant distractive activities which have persisted as a result of the operation environment of the previous financial year – in particular, continuing arbitration proceedings with customers arising from that period.

Production performance

As outlined, the year's production and sales were very pleasing – and each of our sites progressed as planned throughout the year.

Tallering Peak achieved record sales, record throughput and increased levels of production and haulage, despite a significant planned crusher shutdown for refurbishment and upgrade which has improved the efficiency and capacity of the plant.

Despite significant adverse weather impacts at Koolan Island over the monsoonal season, results across all production areas were either in line with or exceeded the previous year – including record ore sales.

With development and construction at Extension Hill recommencing during the year, the project is now on target to commence shipments early in the 2011/12 financial year. We have secured major contracts and are working towards the finalisation of infrastructure requirements.

People

Throughout the changing market, Mount Gibson has been able to depend on our one consistent resource – our people.

The commitment shown by our management team, coupled with the dedication and loyalty of operational staff under unpredictable conditions, positioned the company well to move forward remarkably unscathed. It is from that solid position that we have been able to capitalise on the improving market and announce these results to you today.

On behalf of the Board I would like to offer my sincere thanks to all our staff.

One of the imperatives for continuing to attract and retain a skilled workforce is a reputation for providing a safe workplace focused on eliminating incidents. Safety management is a critical element of everything our employees and contractors undertake, as the health and safety of our employees is a core value of Mount Gibson.

Our management teams at our operations have continued to work diligently to reduce risks faced by our employees by a process of continuous identification of operational hazards and the implementation of appropriate controls.

Mount Gibson remains committed to creating opportunities for people in the local communities surrounding our operations. Our strong links with the traditional owners throughout all our sites are formalised through agreements that clearly describe the mutual obligations of Mount Gibson and the traditional indigenous owners.

We have continued to successfully engage with local communities on all levels – from purchasing locally where practicable, to direct local contributions and sponsorships, to undertaking ongoing stakeholder consultation.

The strength of these relationships has a profound impact on the company's ability to maximise our exploration and production potential.

Heritage clearances at Tallering Peak paved the way for new activity in the North Ridge area, while we commenced preliminary field assessment at the western end of Koolan Island following the successful agreement negotiated with the Dambimangari Native Title Claimants finalised late last year.

Offtake arbitrations

As you would be aware, the company terminated three of its customers' long term contracts following those customers' refusal to take ore deliveries in late 2008, notwithstanding those customers' contractual obligations to do so. The company commenced arbitral proceedings in each instance to recover the loss it had suffered as a result of the customers' breach of contract.

The company reached a satisfactory settlement with one of those customers, Sinom (Hong Kong) Ltd, in October 2009 which saw the company receiving a settlement sum of A\$28 million in the 2009/10 financial year.

Proceedings with Pioneer Iron and Steel Group Co Ltd and Rizhao Steel Holding Group Co Ltd were subsequently concluded earlier this year and in both matters the arbitrators held in favour of Mount Gibson. In the case of Pioneer, Mount Gibson was awarded damages of US\$23 million. Pioneer has since been placed into liquidation and Mount Gibson now ranks with Pioneer's other unsecured creditors. The liquidation is progressing and we will keep you informed of any developments.

In the case of Rizhao, Mount Gibson was awarded a sum of US\$114 million by way of damages, plus interest and costs. Importantly, the arbitrator dismissed Rizhao's counterclaim for wrongful termination by Mount Gibson and misleading and deceptive conduct under the Trade Practices Act. Mount Gibson has taken steps to recover the judgement debt in full and

this may take some time.

Iron ore pricing developments

As many of you would be aware, there have been significant industry changes in the way iron ore is priced under long term sales agreements. This has included the absence of any annual benchmark price being agreed by Rio Tinto and BHP Billiton with its respective customers.

Mount Gibson's ore sale agreements have historically adopted the annual benchmark price announced by Rio Tinto as the basis for calculating the sale price. In the absence a benchmark announcement this year and the likely abandonment of the benchmark system by the majors and their customers, Mount Gibson has been negotiating with its customers for a replacement pricing mechanism.

Pleasingly, agreement has now been reach with two of Mount Gibson's customers, APAC Resources and Shougang Concord, on a new pricing mechanism. The agreed mechanism uses the iron ore index widely understood to have been adopted by Rio Tinto and BHP Billiton in formulating the price. Pricing under the revised agreements is determined on a monthly basis and this more accurately reflects the price being paid in the market for ore of type then being delivered by Mount Gibson at the relevant time.

Future Developments

As the global financial crisis burns indelibly in our memories, we remain optimistic about continuing improvement in iron ore demand and pricing in the medium to long term, following substantial gains in the latter part of the year.

Iron ore imports into China have recovered and stabilised, on the back of China's substantial infrastructure stimulus package and relaxation of credit restrictions commenced during 2009.

We look forward to the continuing development of our Extension Hill project, including the work associated with finalisation of infrastructure requirements relating to rail haulage and at the Geraldton Port.

Formal Business

Financial statements and reports

Turning now to the first item of business of the meeting which is to receive and consider the financial report and the Directors' and auditor's reports for the year ended 30 June 2010. These reports are all included in the company's Annual Report and are available on the company's website.

I will now open the meeting for discussion and questions specifically related to the operational performance and the financial statements and reports.

Gavin Buckingham from the company's auditors, Ernst & Young, is in attendance at the meeting. Gavin is available to answer questions from shareholders in relation to the audit and other related matters.

Are there any questions?

[questions, if any from the floor]

If there are no [further] questions, we will note the financial reports and Directors' and auditor's reports and move to the next item.

Corporate governance

Before moving to the remainder of the business to be dealt with at the meeting, I wish to make a few comments on the Corporate Governance implications of the Resolutions that are now to be put to Shareholders.

There has been some media coverage of these events following my recent

announcement not to seek re-election as Chairman.

The issue centres on the independence of the Board of Mount Gibson. It is well established, good practice that companies should ideally have at all times a majority of independent non-executive Directors, and an independent non-executive Chairman. Mount Gibson is on the record with its commitment to adherence with these principles. At the time of the re-capitalisation proposals put to regulators and shareholders in late 2008, the importance of the maintenance of a majority representation independent non-executive directors was highlighted. This was done in a very open manner as it was clear from the proposals that two shareholders could finish up with approximately 40% of the voting capital of the company and also that those two shareholders would be two significant customers of the company. It was appropriate that those shareholders have Board representation but that representation needed to be balanced by a commitment to a majority of independent directors, and an independent chairman.

I believe it preferable and in the best interests of the Company to avoid a situation where major shareholders who are also significant customers of the Company are in control of the Board.

I also regard it as important that institutional and other investors in the Company are able to rely on the fact that the Board is controlled by a majority of Directors who are independent of significant customers of the Company. If the situation develops to a point where this is not the case I believe it is likely to have a negative effect on the value of shares in the Company

Those arrangements were put in place in early 2009 and in early 2010, when the Board was enlarged, at the request of APAC, all parties agreed it appropriate for an another independent non-executive director to be appointed to maintain the balance of independence.

At that time all parties acknowledged and agreed that the size of the Board would in due course need to be reduced and it was indeed no surprise

when APAC raised in June this year the idea of a reduction in Board numbers. Since that discussion, my position and that of the other independent non-executive directors has consistently been

- we unanimously agree with need for the reduction in Board size
- any reduction must only occur in a way that maintains a majority of independent non-executive directors; and
- there must be an independent non- executive chairman.

I have consistently maintained the positions that I was prepared to leave the board as part of that process, provided these principles were met. I have sought confirmation from the two largest shareholders, both as to their commitment to these principles and their voting intentions in relation to these resolutions before this AGM. By the time I made my recent announcement of my intention not to stand for re-election, neither shareholder had been able or willing to provide details of their voting intentions.

The issue is slightly complicated by the position of Alan Jones and the division of opinion on the Board as to whether he can be considered as an independent non-executive director. The corporate governance principles require compliance with both the actuality and perception of independence. On Alan's position, suffice to say that only he and the three shareholder / customer nominees believe he qualifies as independent. I believe, therefore, to confirm the perception of independence we should err on the side of caution and therefore not count Alan as an independent director.

At a Board meeting this morning, neither of the two shareholders nominee directors was prepared to confirm the shareholders' voting intentions in respect of the resolution dealing with the reappointment of Mr Peter Knowles. In the event that they do not support his re-election and he is not re-elected, I find it very difficult to reconcile that action with the recent public comments by APAC of their commitment to the Corporate Governance standards required to protect the best interests of the

Company.

On a more pleasing note, at our Board meeting earlier this morning, the Board resolved that Craig Readhead will succeed me as Chairman with effect from the end of this meeting. It is the unanimous view of the Board that Craig is an independent non-executive Director.

Are there any questions concerning this subject matter?

Resolutions

We now move the resolutions to be put before shareholders.

As foreshadowed in my introductory comments, the procedure I shall adopt is to work through the resolutions, allowing for appropriate discussion on each item of business, and then, when all discussion has been completed, I will call for a poll to be taken on all resolutions at the same time.

We will then conduct the poll and I will issue further instructions on poll procedures at that time.

The results of the poll will be announced to the Australian Securities Exchange when they are available which I expect to be later today. An appropriate announcement containing full voting details will be released at that time.

Conclusion

Ladies and gentlemen that concludes the formal business of the meeting. I would like to thank my fellow Board members, Luke and his management team, our operational and support teams, and our contractors and suppliers for their tireless efforts.

As I hope I have made clear, Mount Gibson remains focused on being well

placed to capitalise on stabilisation of market conditions and the opportunities this may provide. The continuing strength of our balance sheet, the quality of our assets and the professionalism of our employees position us well to continue deliver growth for our shareholders.

Thank you.